

December 17, 2004

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1. Steven Hutchings	24-26 28-29	---	27-28 29
2. Richard Davis	30-31	---	31

MC
2-11-05

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Hearing Officer Report	15	15
Exhibit 1 (Item 1)	12/17/04 report on the Moundville Coal Degas. Field (R. G. Sanders)	18	18
Exhibit 2 (Item 1)	12/6/04 report on the Moundville Coal Degas. Field (R. G. Sanders)	22	22
Exhibit 3 (Item 1)	11/8/04 report on the Moundville Coal Degas. Field (R. G. Sanders)	22	22
Exhibit 4 (Item 1)	10/8/04 report on the Moundville Coal Degas. Field (R. G. Sanders)	22	22
Exhibit 5 (Item 1)	9/9/04 report on the Moundville Coal Degas. Field (R. G. Sanders)	22	22
Exhibit 6 (Item 1)	Various correspondence related to the Moundville Coal Degasification Field: (9/15/04 letter to Board; 9/13/04 letter to Board, 12/13/04 letter to Board; 12/2/04 letter to Carla Wilson Berry; 11/1/04 letter to Charles E. Skelton; 10/11/04 letter to Robert C. Tubbs; 11/5/04 letter to Boyd Stevens, Jr. 11/30/04 letter to Board; 12/13/04 letter to Board; 7/14/04 letter to James J. Sledge; 11/16/04 letter to Board)	22	22

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 7)	Various documents related to clean-up in Toxey Field and copy of letter of credit (William T. Watson)	23	23
Exhibit 2 (Item 7)	12/2/04 letter to Board (William T. Watson)	23	23
Exhibit 1 (Item 12)	11/22/04 letter to David Leonard Rankin (Steven M. Hutchings)	23	23
Exhibit 2 (Item 12)	12/13/04 letter to Board (David L. Rankin)	23	23
Exhibit 3 (Item 12)	12/7/04 letter to Board (David L. Rankin)	23	23
Exhibit 4 (Item 12)	Chart of mineral ownership (Steven Hutchings)	23	23
Exhibit 5 (Item 12)	11/22/04 letter to Margaret Rankin Bolton with attached green card (Steven Hutchings)	23	23
Exhibit 6 (Item 12)	11/22/04 letter to Patricia A. Ogletree Stephenson with attached green card (Steven Hutchings)	23	23
Exhibit 7 (Item 12)	11/29/04 letter to Thomas Edward Short with attached green card (Steven Hutchings)	23	23

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 8 (Item 12)	Certified mail receipt to Hugh Kemp Scott (Steven M. Hutchings)	23	23
Exhibit 9 (Item 12)	Tract and confirmation form from US Postal Service (Steven Hutchings)	23	23
Exhibit 10 (Item 12)	Affidavit of notice (William T. Watson)	23	23
Exhibit 1 (Item 17)	Affidavit of notice (William T. Watson)	29	29
Exhibit 2 (Item 17)	11/22/04 letter to Richard Gray with attached green card (William T. Watson)	29	29

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

December 17, 2004

Testimony and proceedings before the State Oil and Gas Board in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 17th day of December, 2004.

BEFORE

Mr. Gaines C. McCorquodale.....Chairman
Mr. M. Stephen DampierMember
Mrs. Rebecca Wright Pritchett.....Member

STAFF

Mr. Marvin Rogers.....Attorney
Dr. Berry H. (Nick) TewSecretary and Supervisor
Mr. Jay H. MasingillAssistant Supervisor
Dr. David Bolin.....Assistant Supervisor
Mr. Richard Hamilton.....Engineer
Mr. Douglas HallGeologist

December 17, 2004

APPEARANCES

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NAME	REPRESENTING
1. Steve Hutchings Mobile, AL	Dominion Black Warrior Basin
2. R. G. Sanders Tuscaloosa, AL	Land, Inc.
3. Richard Davis Tuscaloosa, AL	Everlast Energy LLC
4. Tom Watson Tuscaloosa, AL	---

(The hearing was convened at 10:15 a.m. on Friday,
December 17, 2004, in Tuscaloosa, Alabama.)

CHMN. MCCORQUODALE: Let the record reflect that the State Oil and Gas Board is
now in session.

DR. TEW: Mr. Chairman, the staff has prepared a docket for today's hearing.

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
DECEMBER 15 & 17, 2004

The State Oil and Gas Board of Alabama will hold its regular monthly meeting at 10:00 a.m. on Wednesday, December 15, and Friday, December 17, 2004, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, to consider among other items, the following petition(s):

1. DOCKET NO. 8-28-02-9

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the Board to further address the Temporarily Abandoned Status for 134 wells, 34 wells which are operated by Land and Natural Resource Development, Inc. and 100 wells which are operated by TECO Coalbed Methane, Inc., all of which are located in the Moundville Coal Degasification Field, Tuscaloosa and Hale Counties, Alabama. The Board has addressed the status of these wells in Board Order 2002-137(1), and in said order stayed prior Order Status Nos. 2001-85 and 2001-162 to the extent that such orders required plugging and abandonment of all wells by August 31, 2002. Petitioner desires to resume operation and asks the Board to extend the temporarily abandoned status of these wells, because they have future utility. These wells are located in the following sections:

Township 23 North, Range 3 East

Sections: 13, 24

Township 23 North, Range 4 East

Sections: 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30

Township 23 North, Range 5 East

Sections: 1, 3, 4, 5, 7, 8, 9, 15, 16, 17, 18, 19, 20

Township 24 North, Range 4 East

Sections: 24, 25

Township 24 North, Range 5 East

Sections: 19, 30, 31

2. DOCKET NO. 6-9-04-11

Continued petition by SPOONER PETROLEUM COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exception to Rule 400-1-2-.02(2)(c) of the State Oil and Gas Board of Alabama Administrative Code for a 320-acre unit consisting of the Southwest Quarter of Section 20 and the Northwest Quarter of Section 29, Township 15 South, Range 15 West, Lamar County, Alabama.

Petitioner proposes to drill the Langley 20-11 No. 1 Well at a regular location on the aforementioned 320-acre unit and said Rule 400-1-2-.02(2)(c) requires units to consist of a governmental one-half section containing approximately 320 contiguous surface acres.

This petition is filed as a companion to a petition bearing Docket No. 6-9-04-12 requesting the forced pooling, with imposition of the risk compensation penalty, of the referenced 320-acre unit.

3. DOCKET NO. 6-9-04-12

Continued petition by SPOONER PETROLEUM COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Mississippian, Pennsylvanian and Devonian Formations in the Langley 20-11 No. 1 Well, to be drilled on a 320-acre unit consisting of the Southwest Quarter of Section 20 and the Northwest Quarter of Section 29, all in Township 15 South, Range 15 West, Lamar County, Alabama. This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

This petition is filed as a companion to a petition bearing Docket No. 6-9-04-11 requesting approval of the exceptional 320-acre unit for the referenced well.

4. DOCKET NO. 9-29-04-15

Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, *Code of Alabama* (1975) approving and establishing a partial field-wide unit, to be known as Unit VIII, consisting of the hereinafter described "Unit Area" in the Brookwood Coal Degasification Field, Tuscaloosa County, Alabama, and requiring the operating of said Unit Area as a single unit in order to avoid the drilling of unnecessary wells, increase the efficiency of operations and improve the ultimate recovery of occluded natural gas from the Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is defined as the productive coal seams found between the depths of 590 feet and 2,250 feet as encountered in the Shook 19-01-281 Well, Permit No. 12084-C, located in Section 19, Township 19 South, Range 7 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and all zones in communication therewith and all productive extensions thereof, including any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including those coal seams which can be correlated therewith. Petitioner further seeks approval of the Unit Agreement and Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, *Code of Alabama* (1975), and approval of the amendments to the Special Field Rules for the Brookwood Coal Degasification Field in order to conform to the provisions of the aforementioned Unit Agreement and Unit Operating Agreement.

Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit Area, as underlain by the above defined unitized formation so as to require all owners or claimants of royalty, overriding royalty, mineral, and leasehold interests within the Unit Area to unitize, pool and integrate their interests and develop their lands or interests as a unit, and designating Black Warrior Methane Corp. as operator of the Unit Area in accordance with the laws of Alabama. The proposed Unit Area, to be designated Unit VIII, containing approximately 6,960 acres, consists of the following described parcels in Tuscaloosa County, Alabama:

Township 19 South, Range 7 West

All of Sections 19, 20, 21, 29 and 30;

North Half, Southeast Quarter and North Half of Southwest Quarter of Section 28; and

Southwest Quarter of the Southeast Quarter of Section 18

Township 19 South, Range 8 West

South Half of the South Half, the North Half of the Southwest Quarter
and the Northwest Quarter of the Southeast Quarter of Section 13;
All of Sections 23, 24, 25 and 26; and
North Half of Section 35.

5. DOCKET NO. 9-29-04-24

Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Pennsylvanian Formation in the re-entry of the Cole 17-11 #1 Well, Permit No. 11748, located on a 320-acre unit consisting of the West Half of Section 17, Township 18 South, Range 14 West, Pickens County, Alabama, in the Coal Fire Creek Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

6. DOCKET NO. 11-03-04-3

Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-80 through 9-17-88, Code of Alabama (1975) approving and establishing a partial field-wide unit, to be known as Unit IX, consisting of the hereinafter described "Unit Area" in the Brookwood Coal Degasification Field, Tuscaloosa County, Alabama, and requiring the operating of said Unit Area as a single unit in order to avoid the drilling of unnecessary wells, increase the efficiency of operations and improve the ultimate recovery of occluded natural gas from the Unitized Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to be designated as the Pottsville Coal Interval and is defined as the productive coal seams found between the depths of 312 feet and 2,017.5 feet as encountered in the Wesley West 29-11-157 Well, Permit No. 11231-C, located in Section 29, Township 19 South, Range 8 West, Tuscaloosa County, Alabama, as indicated on the density log of said well, and all zones in communication therewith and all productive extensions thereof, including any coal seam stringer that might occur within a depth of either 80 feet above or 80 feet below the Pottsville Coal Interval, and including those coal seams which can be correlated therewith. Petitioner further seeks approval of the Unit Agreement and Unit Operating Agreement, as ratified, in accordance with Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the Special Field Rules for the

1 Brookwood Coal Degasification Field in order to conform to the provisions of the
2 aforementioned Unit Agreement and Unit Operating Agreement.

3
4 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
5 Area, as underlain by the above defined unitized formation so as to require all
6 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
7 within the Unit Area to unitize, pool and integrate their interests and develop their
8 lands or interests as a unit, and designating Black Warrior Methane Corp. as
9 operator of the Unit Area in accordance with the laws of Alabama. The proposed
10 Unit Area, to be designated Unit IX, containing approximately 7,200 acres, consists
11 of the following described parcels in Tuscaloosa County, Alabama:

12
13 Township 19 South, Range 8 West

14 South Half of Section 15;

15 All of Sections 21, 29, 32;

16 Northwest Quarter of Section 22;

17 West Half and Northeast Quarter of Section 28; and

18 West Half and Southeast Quarter of Section 33

19
20 Township 20 South, Range 8 West

21 All of Sections 4, 5, 8, 9, 16 and 21.

22
23 7. DOCKET NO. 11-03-04-7

24 Continued petition by SIGNAL, LLC, a foreign limited liability company,
25 authorized to do and doing business in the State of Alabama, requesting the State
26 Oil and Gas Board to consider an amount of security and the form of security
27 required for oil and gas operations in the Toxey Field, Choctaw County, Alabama,
28 in accordance with Section 9-17-6(c)(5), Code of Alabama (1975) and Rule 400-
29 1-2-.03 of the State Oil and Gas Board of Alabama Administrative Code.

30
31 8. DOCKET NO. 11-03-04-9

32 Continued petition by CEDARHILL OPERATING CO., L.L.C., an Alabama
33 limited liability company, requesting the State Oil and Gas Board to enter an
34 order approving an exception to Rule 3(a) of the Special Field Rules for the
35 Gilbertown Field in order to permit the drilling of a horizontal well on an 80-acre
36 unit consisting of the South Half of the Northeast Quarter of Section 36,
37 Township 11 North, Range 5 West, Choctaw County, Alabama. Said Rule 3(a)
38 states, in part, that wells in said Field "shall be drilled on a drilling unit which
39 contains approximately 40 contiguous acres," and the above described 80-acre unit
40 would be an exception to said Rule.

1 Petitioner proposes to drill a vertical well and then drill a horizontal lateral in the
2 Selma Chalk. When completed, said lateral will be in compliance with Rule 3(b)
3 of the Special Field Rules for the Gilbertown Field which require that wells be
4 drilled at least 330 feet from every exterior boundary of the drilling unit.

5
6 This petition is filed as a companion to a petition bearing Docket No. 11-3-04-8
7 requesting approval to force pool, without imposition of a risk compensation
8 penalty, the above-referenced 80-acre unit in the Gilbertown Field.

9
10 9. DOCKET NO. 12-15-04-1

11 Petition by DURANGO OPERATING LLC, a Mississippi limited liability
12 company, authorized to do business in the State of Alabama, requesting the State
13 Oil and Gas Board to enter an order classifying the Cedar Creek Land and Timber
14 Co. 12-9 #1, Permit # 8685, located in Section 12, Township 1 North, Range 8
15 East in Osaka Field, Escambia County, Alabama, as temporarily abandoned for a
16 period of one (1) year:

17
18 Said well is temporarily abandoned. Petitioner is requesting the Board to classify
19 said well as temporarily abandoned for a period of one (1) year in accordance
20 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative
21 Code because said well has future utility in Durango Operating, LLC's operations
22 in Osaka Field, Escambia County, Alabama and should not be plugged.

23
24 10. DOCKET NO. 12-15-04-2

25 Petition by DURANGO OPERATING, LLC, a Mississippi limited liability
26 company, authorized to do business in the State of Alabama, requesting the State
27 Oil and Gas Board to enter an order classifying certain wells in the following
28 areas in the Foshee Field, Escambia County, Alabama, as temporarily abandoned
29 for a period of one (1) year:

30
31 Township 2 North, Range 8 East
32 Sections 34 and 35
33

34 Said wells are temporarily abandoned. Petitioner is requesting the Board to
35 classify said wells as temporarily abandoned for a period of one (1) year in
36 accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama
37 Administrative Code because all of the wells have future utility in Durango
38 Operating, LLC's operations in Foshee Field, Escambia County, Alabama and
39 should not be plugged.

11. DOCKET NO. 12-15-04-3

Petition by DURANGO OPERATING LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order classifying certain wells located in Section 33, Township 2 North, Range 8 East in West Foshee Field, Escambia County, Alabama, as temporarily abandoned for a period of one (1) year.

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in West Foshee Field, Escambia County, Alabama and should not be plugged.

12. DOCKET NO. 12-15-04-4

Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the Cambern 35-14-1042 Well to be drilled on an 80-acre unit consisting of the East Half of the Southwest Quarter of Section 35, Township 17 South, Range 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

13. DOCKET NO. 12-15-04-5

Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in the Locklar 8-16-265 Well, to be drilled on an 80-acre unit consisting of the South Half of the Southeast Quarter of Section 8, Township 17 South, Range 9 West, Tuscaloosa County, Alabama, in the Blue Creek Coal Degasification Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

1 14. DOCKET NO. 12-15-04-6

2 Petition by DOMINION BLACK WARRIOR BASIN, INC., an Alabama
3 corporation, requesting the State Oil and Gas Board to enter an order force
4 pooling, without imposition of a risk compensation penalty, all tracts and interests
5 in hydrocarbons produced from coalbeds in the Pottsville Formation in the Cobb 36-
6 04-679 Well, to be drilled on an 80-acre unit consisting of the North Half of the
7 Northwest Quarter of Section 36, Township 17 South, Range 10 West, Tuscaloosa
8 County, Alabama, in the Blue Creek Coal Degasification Field.

9
10 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
11 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
12 Administrative Code.

13
14 15. DOCKET NO. 12-15-04-7

15 Petition by CEDARHILL OPERATING CO., L.L.C., an Alabama limited liability
16 company, requesting the State Oil and Gas Board to enter an order approving the
17 exceptional location of a horizontal lateral well drilled from the bottom hole
18 location of the Davis 35-7 #1 Well, Permit No. 13646-BH, on a 90-acre unit
19 consisting of the Southeast Quarter of the Northwest Quarter; Southwest Quarter
20 of Northeast Quarter; and the West Quarter of the Southeast Quarter of the
21 Northeast Quarter of Section 35, Township 11 North, Range 5 West, Choctaw
22 County, Alabama, in the Gilbertown Field, as an exception to Rule 3(b) of the
23 Special Field Rules for said Field. Said Rule 3(b) requires that such wells be
24 located at least 330 feet from every exterior boundary of the drilling unit and the
25 referenced horizontal lateral well is only 293 feet from the South line of the unit.

26
27 This request was previously approved by the Board in Order No. E-2004-138
28 issued on November 19, 2004.

29
30 16. DOCKET NO. 12-15-04-8

31 Petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do
32 and doing business in the State of Alabama, requesting the State Oil and Gas Board
33 to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) to
34 amend Rules 2 and 3 of the Special Field Rules for the Oak Grove Coal
35 Degasification Field, Jefferson and Tuscaloosa Counties, Alabama to expand the
36 area limits of the Oak Grove Coal Degasification Field to include the hereinafter
37 described "Expansion Area," and to amend the definition of the Pottsville Coal
38 Interval, as hereinafter described.

39
40 The proposed Expansion Area consists of 13,760 acres, more or less, described as
41 follows:

In Jefferson County:

Sections 15, 16, 17, 20, 21, 22, 28, 29, 30, 31, 32 of Township 19 South, Range 5 West

W/2 of Section 14, Township 19 South, Range 5 West

W/2 of Section 27, Township 19 South, Range 5 West

W/2 of Section 33, Township 19 South, Range 5 West

Sections 25, 35 and 36 of Township 19 South, Range 6 West

Sections 1, 2, 3, 10, 11 of Township 20 South, Range 6 West

E/2 of Section 4, Township 20 South, Range 6 West

In Tuscaloosa County:

E/2 of Section 9 of Township 20 South, Range 6 West.

Petitioner proposes to Amend the definition of the Pottsville Coal Interval by adding to those strata previously included in the Pottsville Coal Interval, the strata located between 466 feet and 2823 feet below ground surface of the CDX Gas U. S. Steel 32-15-8 Well, Permit No. 12658-C, located 1672 feet FEL and 1107 feet FSL of Section 32, Township 18 South, Range 5 West, Jefferson County, Alabama, as indicated on the electrical log and/or core from said wells, and all zones in communication therewith, and all productive extensions thereof.

17. DOCKET NO. 12-15-04-9

Petition by ROBINSON'S BEND OPERATING CO., LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced from coalbeds in the Pottsville Formation in a well to be drilled on an 80-acre unit consisting of the South Half of the Northwest Quarter of Section 21, Township 22 South, Range 11 West, Tuscaloosa County, Alabama, in the Thornton Creek Coal Degasification Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

18. DOCKET NO. 12-15-04-10

Petition by EL PASO PRODUCTION COMPANY, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil & Gas Board of Alabama to enter an order force pooling, with risk compensation, all tracts and interests in coalbed methane produced from a well

1 drilled to the Pottsville Formation on a unit consisting of approximately 80 acres
2 located in the South Half of the Southwest Quarter of Section 17, Township 17
3 South, Range 8 West, Tuscaloosa County, Alabama, in the White Oak Creek Coal
4 Degasification Field. This petition is in accordance with Section 9-17-13,
5 ALABAMA CODE (1975), as amended, and Rules 400-7-1 and 400-7-2 of the State
6 Oil and Gas Board of Alabama Administrative Code.
7

8 19. DOCKET NO. 12-15-04-11

9 Petition by GEOMET, INC., an Alabama corporation, requesting the State Oil and
10 Gas Board to enter an order pursuant to Sections 9-17-1 through 9-17-33 and 9-17-
11 80 through 9-17-88, Code of Alabama (1975) approving and establishing a partial
12 field-wide unit, to be known as "Cahaba Unit A," consisting of the hereinafter
13 described "Unit Area" in the Gurnee Coal Degasification Field, Shelby and Bibb
14 Counties, Alabama, and requiring the operating of said Unit Area as a single unit in
15 order to avoid the drilling of unnecessary wells, increase the efficiency of operations
16 and improve the ultimate recovery of occluded natural gas from the Unitized
17 Formation, as hereinafter defined, and avoid waste. The "Unitized Formation" is to
18 be designated as the Pottsville Coal Interval underlying the Unit Area, the productive
19 interval of which is found between the depths of 691 feet and 3,561 feet as
20 encountered in the USS 01-08-08 Well, Permit No. 13416-C, located in the SE/4 of
21 the NE/4 of Section 1, Township 21 South, Range 4 West, Shelby County, Alabama,
22 as indicated on the density log of said well, and between the depths of 524 feet and
23 1,752 feet as encountered in the RGGGS 07-06-146 Well, Permit No. 13560-C,
24 located in the SE/4 of the NW/4 of Section 7, Township 21 South, Range 3 West,
25 Shelby County, Alabama, as indicated on the log of said well, and all zones in
26 communication therewith and all productive extensions thereof, including any coal
27 seam stringer that might occur within a depth of either 80 feet above or 80 feet
28 below the Pottsville Coal Interval, as defined in said wells, and including those coal
29 seams which can be correlated therewith. Petitioner further seeks approval of the
30 Unit Agreement and Unit Operating Agreement, as ratified, in accordance with
31 Section 9-17-84, Code of Alabama (1975), and approval of the amendments to the
32 Special Field Rules for the Gurnee Coal Degasification Field in order to conform to
33 the provisions of the aforementioned Unit Agreement and Unit Operating
34 Agreement.
35

36 Petitioner further seeks entry of an order unitizing, pooling and integrating the Unit
37 Area, as underlain by the above defined Unitized Formation so as to require all
38 owners or claimants of royalty, overriding royalty, mineral, and leasehold interests
39 within the Unit Area to unitize, pool and integrate their interests and develop their
40 lands or interests as a unit, and designating GeoMet, Inc. as operator of the Unit
41 Area in accordance with the laws of Alabama. The proposed Unit Area, to be

1 designated Cahaba Unit A, containing approximately 3,520 acres, consists of the
2 following described parcels in Shelby County, Alabama:

3
4 Township 20 South, Range 3 West

5 **Section 31: S ½ of SW ¼**

6
7 Township 20 South, Range 4 West

8 **Section 36: E ½ of SE ¼**

9
10 Township 21 South, Range 3 West

11 **Section 5: N ½ of NW ¼**

12 **Section 6: W ½, NE ¼, N ½ of SE ¼**

13 **Section 7: W ½, N ½ of NE ¼, W ½ of SE ¼**

14
15 Township 21 South, Range 4 West

16 **Section 1: E ½, SW ¼**

17 **Section 2: S ½ of SE ¼**

18 **Section 10: SE ¼, S ½ of SW ¼**

19 **Section 11: All**

20 **Section 12: N ½, SW ¼, E ½ of SE ¼**

21 **Section 13: N ½ of NW ¼**

22 **Section 14: NE ¼.**

23
24 **20. DOCKET NO. 12-15-04-12**

25 Petition by CDX GAS, L.L.C., a Texas limited liability company, authorized to do
26 and doing business in the State of Alabama, requesting the State Oil and Gas Board
27 to enter an order pursuant to Section 9-17-1 et seq., Code of Alabama (1975) to
28 amend Rule 3 of the Special Field Rules for the Blue Creek Coal Degasification
29 Field, Tuscaloosa and Fayette Counties, Alabama, to expand the definition of the
30 Pottsville Coal Interval to include the strata between 368 feet and 3790 feet below
31 ground surface of the CDX Gas CLC 10-08-51 Well, Permit No. 12778-C,
32 located 621 feet FEL and 1457 feet FNL of Section 10, Township 19 South,
33 Range 9 West, Tuscaloosa County, Alabama, and all zones in communication
34 therewith and all productive extensions thereof.

35
36 **21. DOCKET NO. 4-30-03-7**

37 Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA
38 to consider issuing an order for Vintage Petroleum, Inc., Hunt Refining Company,
39 and Pruet Production Company to clean up and remove the oil on the lands of
40 Lois Ezell and the adjoining pipeline right-of-way located in Section 29,
41 Township 11 North, Range 3 West, Choctaw County, Alabama. Vintage

Petroleum, Inc., operates the Ezell 29-5 Well, Permit No. 1844, on the lands of Lois Ezell, and certain oil pipelines on the pipeline right-of-way adjoining the lands of Lois Ezell. Hunt Oil Company operates an oil pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. Pruet Production Company operates a natural gas pipeline and a salt-water pipeline on the pipeline right-of-way adjoining the lands of Lois Ezell. The jurisdiction and authority of the Board is set forth in Section 9-17-1 et seq. of the Code of Alabama (1975), as amended.

22. DOCKET NO. 12-15-04-13

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rules 400-1-4-.03, 400-2-4-.03, and 400-3-4-.03 (Well Record); Rules 400-1-4-.04, 400-2-4-.04, and 400-3-4-.04 (Directional Surveys); and Rules 400-1-6-.06, 400-2-6-.06, 400-3-6-.05 (Recompletion or Reworking) to change the filing requirements of said rules. Said rules presently require two (2) copies of all well logs, directional surveys, and drill stem tests be filed with the Board, and the proposed rule change would require that only one (1) copy of the information be filed.

23. DOCKET NO. 12-15-04-14

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rules 400-1-2-.05, 400-2-2-.05, and 400-3-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to Change of Operator to change the notification and filing requirements of said rules and to clarify the current operator's responsibilities prior to the Supervisor's approval of the proposed new operator.

24. DOCKET NO. 12-15-04-15

MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-1-4-.13 of the State Oil and Gas Board of Alabama Administrative Code relating to Blow-Out Prevention for onshore wells to specify the installation, testing and recordkeeping requirements of blow-out prevention equipment associated with drilling, completion, and workover operations.

The meetings of the State Oil and Gas Board are public meetings, and members of the public are invited to attend and present their position concerning this petition(s). Requests to continue or oppose a petition should be received by the Board at least two (2) days prior to the hearing. For additional information, you may contact the State Oil and Gas Board, P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone Number 205/349-2852, Fax Number 205/349-2861, or by email at petitions@ogb.state.al.us.

1 DR. TEW: The Hearings Reporter has received and compiled proofs of publication of
2 the items to be heard today. The Hearing Officer and the staff heard various items at the Hearing
3 Officer meeting and at this time the Hearing Officer will make his report to the Board.

4 MR. ROGERS: Mr. McCorquodale, Mr. Dampier and Mrs. Pritchett, I have a written
5 report of the items heard by the Hearing Officer and the staff on Wednesday, December 15,
6 2004. Copies of the report are available for members of the public to review and study. I
7 recommend the report be adopted by the Board.

8 MR. DAMPIER: Move.

9 MRS. PRITCHETT: Second.

10 CHMN. MCCORQUODALE: All in favor say "aye."

11 (All Board members voted "aye")

12 CHMN. MCCORQUODALE: "Ayes" have it.

13 MR. ROGERS: I recommend the report be made a part of the record.

14 CHMN. MCCORQUODALE: It is admitted.

15 (Whereupon, the report was received in evidence)

16 DR. TEW: Mr. Chairman, the staff would recommend approval of the minutes of the
17 following meetings: September 29, 2004, Hearing Officer meeting; October 1, 2004, Board
18 meeting; October 1, 2004 emergency Board meeting; October 14, 2004, Special Hearing Officer
19 meeting; November 3, 2004, Hearing Officer meeting; November 4, 2004, Special Hearing
20 Officer meeting; November 5, 2004, Hearing Officer meeting; November 10, 2004, Special
21 Hearing Officer meeting.

22 MRS. PRITCHETT: So move.

23 MR. DAMPIER: Second.

24 CHMN. MCCORQUODALE: All in favor say "aye."

25 (All Board members voted "aye")

26 MR. ROGERS: The following items are set for hearing by the Board today: Item 1,
27 Docket No. 8-28-02-9, petition by Land and Natural Resource Development, Inc.; Item 7,
28 Docket No. 11-3-04-7, petition by Signal, LLC; Item 12, Docket No. 12-15-04-4, petition by

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1 Dominion Black Warrior Basin, Inc.; and Item 17, Docket No. 12-15-04-9, petition by
2 Robinson's Bend Operating Company, LLC. The first item on the docket is Docket No. 8-28-
3 02-9, petition by Land and Natural Resource Development, Inc.

4 MR. SANDERS: I'm Jerry Sanders here to represent Land in this matter.

5 CHMN. MCCORQUODALE: Good morning.

6 MR. SANDERS: Good morning.

7 CHMN. MCCORQUODALE: Is anybody else present who has an interest in this item?

8 If so, you can come forward. You can just have a seat over here and that way you can better hear
9 what is going on. If you would just tell us your name for the record, please.

10 MR. ELMORE: I'm Danny Elmore from Moundville, Alabama.

11 CHMN. MCCORQUODALE: Thank you. All right, Mr. Sanders.

12 MR. SANDERS: I'm here to give you a report on the items that were included in Board
13 Order 2004-83 issued August 20, 2004, concerning work that Land had to do or was required to
14 do in Moundville. I've got a handout that I would like to present and make a part of the record.
15 The August order required that Land plug the Davant 9-11-143-4206. The OGB permit is 8229-
16 C. That has been done. We were required to address location access and restoration deficiencies
17 of five Land wells and 18 wells operated by TECO. Those all have been addressed and taken
18 care of.

19 CHMN. MCCORQUODALE: Excuse me, Mr. Sanders. Do you have a copy of this, Mr.
20 Elmore, what he just handed up?

21 MR. ELMORE: No.

22 CHMN. MCCORQUODALE: Here you go. We've got some extras up here. As he is
23 making reference to it there might be something in there that you want to see.

24 MR. SANDERS: Item 3 on that list was a list of 23 problem wells that have been
25 designated. Land was required to plug twelve of those. We have plugged fourteen. Also we
26 were required to accompany the Board's staff and inspect seven wells operated by Land and 39
27 operated by TECO by November 1st. That was done. That inspection resulted in six additional
28 wells to be added to the list of problem wells. That's the report on the activities that pertain to

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1 that order. Another item is that on September 1, 2004, the Board had Walter and Frank
2 accompany me and Arthur Pruet on an inspection of Arthur Pruet's wells in the Big Bend area of
3 Moundville. I think Frank has furnished a list of the things that were inspected and covered
4 during that time. We agreed to do the following items. We would take down all of the power
5 poles that had transformers on them. We would refill the holes near the tin horns that had been
6 eroded by weather or whatever. That has all been done. We picked up the pipe and the valves
7 listed on the sites and removed the pieces of concrete that was left on site. There were a couple
8 of items we did not agree that we were responsible for doing because we didn't believe our lease
9 or contract agreement with Arthur required. One of them was that on each one of the locations
10 he had asked that the gravel be scooped up and topsoil be hauled in and put back in and then
11 disked up and fertilized and then grass be planted. The lease requires that the location be put
12 back in its original condition to the extent that it is reasonably practical. We think that that
13 requirement is neither reasonable nor practical. The locations are overgrown with vegetation.
14 It's not a matter of not having vegetation, they all do. So, it's not a matter of erosion. The use of
15 the location is similar to the use of the rest of the property down there. We object to having to do
16 that. The other item that was on there was some so called hump over the Hunt Pipeline that
17 comes across there where the MetFuel gas line was laid. They laid the line on top of the ground
18 and put a dirt berm up over it to protect it. This is one of these right-of-way agreement situations
19 with us and we think that the right-of-way agreement is still in effect and in force and know that
20 has to be done by contract. Another development during this period of time interim is that
21 TECO has instructed Land to begin plugging the remaining 43 TECO operated wells and for that
22 to be completed by July 31, 2005. That will leave eleven Land operated wells, all of them in the
23 Big Bend area. Land has requested that the Oil and Gas Board allow Land until December 31,
24 2005, to either plug these wells or put them on production. Two of those wells are on Mr.
25 Elmore's place I believe. He is here to address some issues about that.

26 CHMN. MCCORQUODALE: Does that conclude your presentation?

27 MR. SANDERS: Yes.

28 CHMN. MCCORQUODALE: The report, did you mark it as an exhibit, Mr. Rogers?

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1 MR. ROGERS: Yes sir.

2 CHMN. MCCORQUODALE: It is admitted.

3 (Whereupon, the exhibit was received in evidence)

4 CHMN. MCCORQUODALE: Mr. Elmore, we'll hear from you now.

5 MR. ELMORE: The only problem I have is scattered scrap iron, running over it with
6 equipment, not being maintained and nothing being taken care of. On one of the well pads that
7 has been half-way abandoned there are concrete pieces as big as five gallon buckets with
8 vegetation growing around it. Some of these things you can't see when you are trying to keep
9 your property up. As a matter of fact, Mr. Simpson came down here over a month ago and I
10 gave him maybe half a dozen items to bring back up here and show whoever that I had run over
11 that were not even close to the location of the gas lines or the well pads. This thing has got me to
12 the limits where I can't even take care of my property without destroying brand new equipment.
13 I would like to see it get addressed where we can get some corrections because some of it is just
14 totally unnecessary.

15 CHMN. MCCORQUODALE: There is no doubt in your mind that the material that you
16 are talking about is a by-product of these wells and pipelines or whatever?

17 MR. ELMORE: One for instance was in a tin horn. I know specifically the pipe and
18 angle iron that was sticking up are braces that hold some sort of bleed off valve or whatever.
19 That stuff was 200 foot from where they partially removed a tin horn and there is still pipe
20 sticking up out of the ground in the tin horn area as well as a lot of deterioration around the tin
21 horn area. I'm pretty sure of that because I'm the only one that does 99 percent of the upkeep of
22 the property down there.

23 CHMN. MCCORQUODALE: Do you want to respond to that?

24 MR. SANDERS: Walter called and told me that he had visited with Mr. Elmore. The
25 contractor that we commissioned went down with us and we looked at all of those items. The
26 contractor has been given the okay to go in there and clean that up. He has not gotten to it yet
27 but he intends to do that. Some of these items are along pipeline right-of-ways of which we have

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1 a right-of-way agreement that we don't have to maintain those. Mr. Elmore can use the property
2 if he wants to but there is a contract issue here with that.

3 CHMN. MCCORQUODALE: Are you telling us that you are going to clean them up or
4 are you tell us that there is a portion of it along the right-of-way that you are not going to clean
5 up because of contract issues?

6 MR. SANDERS: Well, no. All I'm saying, I've agreed that we would clean up those
7 items that were identified to us but, you know, when you go out there and bush hog along a
8 pipeline right-of-way and run over a sign or a piece of pipe sticking up that had a sign on it,
9 that's almost like, whose fault is that?

10 CHMN. MCCORQUODALE: Well, that's not something that we can determine here but
11 that is something that ultimately might be determined by a jury in Hale County if it boils down to
12 that. There are some issues--Mr. Elmore you need to know this and Mr. Sanders has been told
13 this before up here also--we have certain rules that we require them to go by and some of this
14 clean up is what we are trying to make them do. Some things that happen, such as if you have a
15 \$10,000 piece of equipment torn up, this Board does not have the authority to make them pay
16 you for that equipment. Okay? Now there is another place that does and that would be the
17 Circuit Court of Hale County. We can't do that. I would be sympathetic if something like that
18 happened to you but we don't have any control over being able to reimburse you for such
19 damage.

20 MR. ELMORE: My question is, like I say, I look after this property for my wife and two
21 nieces and nephews because it is a joint effort between--her daddy left the property to them. I'm
22 the one that has been doing this for years. This material that I ran over is nowhere near where it
23 should have been. When I bush hog twice a year, grass three or four or five foot high, this stuff
24 laying 200 or 250 feet away from the right-of-way where the pipeline is at, this is irresponsible.

25 MR. DAMPIER: Didn't we just hear Mr. Sanders say he was going to clean it up except
26 on the pipeline right-of-way?

27 MR. SANDERS: Yes sir. We went out and looked with Walter after he and Mr. Elmore
28 had met and Walter showed us those items that he had discussed with Mr. Elmore. We agreed

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1 that we would clean all those up, fill in the spots, some of which I don't know whether were our
2 responsibility or not but we didn't argue, we just said we would do it.

3 MR. DAMPIER: Mr. Sanders, when do you think you can get to this gentleman's
4 property and get it cleaned up?

5 MR. SANDERS: Well I was hoping it would be done by now but there have been
6 several problems. We will get it done by let's say the end of January.

7 MR. DAMPIER: You're not going to bush hog before then are you?

8 MR. ELMORE: To me that's just irresponsible. Whether this stuff was thrown onto the
9 field, bounced out of a truck, I don't know, but it was not located anywhere near where it should
10 have been.

11 MR. SANDERS: Well my response to that is that we have had no operations down there
12 in the forever so anything that was out there would have been left there by somebody sometime
13 or somebody moved it. Now, we didn't do it. I'm sympathetic with Mr. Elmore because he is
14 out there trying to clean things up but at the same time I don't admit responsibility for that.

15 MR. ELMORE: My question to that is, when you leave Arthur Pruet headed south on
16 your collection line that use to form and go into the compressor station, you leave Arthur Pruet
17 and you come on the Nevin property--I cannot remember the name of that well site--they've
18 been in there and they did some work on that well pad.

19 MR. SANDERS: They came in and dug up that tin horn I believe.

20 MR. ELMORE: They did some work on the stub out on the well pad from the gas well
21 itself.

22 MR. SANDERS: Yes, okay. They plugged it.

23 MR. ELMORE: All right. Immediately south of that less than a quarter they removed a
24 tin horn.

25 MR. SANDERS: Right.

26 MR. ELMORE: Several hundred feet beyond that south-southwesterly is where this junk
27 I'm talking about was left way away from the tin horn and you sit there and say your people
28 didn't do that?

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1 MR. SANDERS: Well, I don't know that they did but I don't think they did.

2 MR. ELMORE: It was a gas relation on the lease because none of my people did it.

3 MR. SANDERS: Well, I don't know. I guess some phantom must have showed up
4 down there to do it. I'm not arguing with you that it wasn't there, I don't know. I went down
5 there and looked. Some of the stuff that Walter showed me was obviously stuff that we had
6 nothing to do with. How it got over where it was, I don't know. I know this isn't the first time
7 you have bush hogged there so I would assume that it would be something that happened
8 recently.

9 CHMN. MCCORQUODALE: Well, this is back to what I suggested earlier. We can
10 issue certain orders about cleaning up and plugging and those sorts of things that we have done
11 in conjunction with this entire situation. We can force them to do that. Mr. Sanders today has
12 voluntarily said they are going to come in there and clean up those things but again I go back to--
13 I hear a little bit of he said, he said. You know, we didn't do it, well; I didn't do it, so who did
14 do it? Those are not issues in terms of responsibility and damages of what might have occurred
15 that we can do anything about. That's another forum and I've told you what that one is. Okay?

16 MR. ELMORE: My thing is I'm not a deceitful person. I would just like to keep
17 everything in its respective area where it should be because all I'm asking is to keep from
18 damaging my equipment.

19 CHMN. MCCORQUODALE: I certainly understand and respect that. Are there any
20 other comments or questions from either of you? Other than the problem that you have
21 described to us, Mr. Elmore, in terms of the plan that Mr. Sanders has discussed, that is leaving
22 certain wells unplugged until December of '05 and what their plans are, do you have any issues
23 with that or are you here because of the problems you have described to us?

24 MR. ELMORE: I'm just here more or less right now because of the problems I've had
25 with them the last couple of months.

26 CHMN. MCCORQUODALE: Okay. Thank you. Are there any questions or comments
27 from the staff or from the Board?

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1 MR. ROGERS: Mr. Chairman, I recommend that we admit into the record
2 correspondence on this matter and monthly reports submitted by Mr. Sanders.

3 CHMN. MCCORQUODALE: They are admitted.

4 (Whereupon, the correspondence and reports
5 were received in evidence)

6 MRS. PRITCHETT: I have some questions for Mr. Sanders. Mr. Sanders, in your
7 report, your updated report, and I understand there may be three other wells, there are some
8 water leaks. My concern is that there may be salt water intruding into some fresh water
9 resources. Have you done testing on all of these wells where there are water leaks to determine
10 whether that is indeed happening or not?

11 MR. SANDERS: There is not any intrusion. Those leaks that are mentioned in the report
12 have to do with when we open a valve to see what water will flow to the surface. That's what
13 that is addressing. All these wells have casing set and cemented down to 800 feet or something
14 like that, so all the fresh water zones are protected. I don't think that's an issue.

15 CHMN. MCCORQUODALE: We're going to take a brief recess.

16 (The hearing was recessed for 18 minutes)

17 CHMN. MCCORQUODALE: Let the record reflect that the Board is back in session.

18 MRS. PRITCHETT: Mr. Chairman, I move that we take this matter under advisement
19 and stay the previous orders of the Board until this Board issue its order regarding the matter.

20 MR. DAMPIER: Second.

21 CHMN. MCCORQUODALE: All in favor say "aye."

22 (All Board members voted "aye")

23 CHMN. MCCORQUODALE: "Ayes" have it. That assumes too, Mr. Sanders, that you
24 are going to go ahead and work on that clean up as it relates to the items addressed by Mr.
25 Elmore?

26 MR. SANDERS: Yes sir.

27 CHMN. MCCORQUODALE: Okay, thanks.

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1 MR. ROGERS: The next item then is Item 7, Docket No. 11-3-04-7, petition by Signal
2 LLC.

3 MR. WATSON: Mr. Rogers, it is my understanding that the Board is going to allow
4 Signal to post a letter of credit. With that understanding, I would like to make a part of this
5 record some documents we explained to you about the clean up in the field down there. I have
6 contacted ADEM about that and put them in contact with the Signal representatives and they are
7 going to work out a procedure where they can take that old heavy asphaltic crude and put on the
8 roads and improve the roads. ADEM is going to work that out with them. If I could hand this
9 up, it has a copy of the letter of credit.

10 CHMN. MCCORQUODALE: Those items will be made a part of the record.

11 (Whereupon, the exhibits were received in evidence)

12 MR. WATSON: Then I'll ask that you dismiss the item without prejudice.

13 CHMN. MCCORQUODALE: Hearing no objection, that request is granted. It is
14 dismissed without prejudice.

15 MR. ROGERS: The staff will be reviewing the letter of credit. We haven't approved the
16 form of that, Mr. Watson.

17 MR. WATSON: I understand.

18 CHMN. MCCORQUODALE: In theory the letter of credit is approved but the specifics
19 have to be ironed out.

20 MR. ROGERS: The next item then is Item 12, Docket No. 12-15-04-4, petition by
21 Dominion Black Warrior Basin, Inc.

22 MR. WATSON: I have one witness and would like to have him sworn in, please.

23 MR. ROGERS: Will you state your name and address?

24 MR. HUTCHINGS: Steve Hutchings, Mobile, Alabama.

25 (Witness was sworn by Mr. Rogers)

26 MR. WATSON: I have prefiled an affidavit of notice in this matter along with green
27 cards and tracking confirmations from the Postal Service. I would ask that all that be made a
28 part of the record.

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1 CHMN. MCCORQUODALE: All that is admitted.

2 (Whereupon, the exhibits were received in evidence)

3 MR. WATSON: Mr. Hutchings, you are familiar with the petition on file here to force
4 pool tracts and interests in an 80-acre unit consisting of the East Half of the Southwest Quarter of
5 Section 35, 17 South, 10 West, Tuscaloosa County, Alabama, in the Blue Creek Coal
6 Degasification Field?

7 MR. HUTCHINGS: Yes sir.

8 MR. WATSON: Have you reviewed the title for that 80-acre tract?

9 MR. HUTCHINGS: Yes sir.

10 MR. WATSON: Do you have on file an affidavit of your qualifications as a petroleum
11 landman with this Board?

12 MR. HUTCHINGS: Yes sir.

13 MR. WATSON: I tender the witness as an expert petroleum landman.

14 CHMN. MCCORQUODALE: He is so recognized.

15 STEVEN HUTCHINGS

16 Appearing as a witness on behalf of Petitioner, Dominion Black Warrior Basin, Inc.,
17 testified as follows:

18 DIRECT EXAMINATION

19 Questions by Mr. Watson:

- 20 Q. We are asking that the risk compensation fee be imposed in this force pooling. Mr.
21 Hutchings, let's tell the Board now about the outstanding interest, who owns that interest
22 and the attempts that you have made to either get that leased, farmed-out or people to
23 participate.
- 24 A. As of this morning there is 2.167 net mineral acres or 2.71 percent unleased. The five
25 individuals are the heirs of Mariah C. Riley. The unleased owners are Patricia A.
26 Ogletree Stephenson, Hugh Kemp Scott, Margaret Rankin Bolton and Thomas Edward
27 Short. We would still like to include--David Leonard Rankin has indicated that he would
28 like to participate in the well; however, he has not signed a joint operating agreement or

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1 anything of that nature at this time, so we would like to keep his interest under the force
2 pooling order.

3 Q. We have green cards back on some of these folks but on two of the people we do not
4 have green cards but you have checked on the routing. Is that correct?

5 A. That is correct, for Hugh Kemp Scott in Alaska and Mr. Rankin. Apparently there was
6 some delay in the delivery of the certified packages. All the packages were mailed
7 November 23. Mr. Rankin's did not arrive or was not delivered until December 7th in
8 Palm Harbor, Florida.

9 Q. This is the same Mr. Rankin who has indicated that he wanted to participate?

10 A. That is correct, yes.

11 Q. So that leaves the only party that we do not have a green card back on but we have filed
12 this track and confirmation from the Postal Service on Hugh Kemp Scott. This shows
13 that the item was delivered at 11:58 a.m. on December 11, 2004, in Anchor Point,
14 Alaska. Is that correct?

15 A. That is correct. I would assume that the green card will eventually come back to the
16 office.

17 Q. Now, in your dealings with these folks you have sent them a letter. You offered them an
18 opportunity to lease or to participate or to farm out their interest. Is that correct?

19 A. That is correct.

20 Q. On terms as good as or better than those who have agreed to either lease, participate or
21 farm out?

22 A. That is correct.

23 Q. Would you describe your efforts as reasonable and exhaustive with these folks?

24 A. Yes sir.

25 Q. Would the force pooling, with the imposition of the risk compensation fee, prevent
26 "waste" and protect correlative rights?

27 A. Yes sir.

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1 Q. Is this one of the wells, if this Board moves forward on this, that we are trying to get
2 drilled this year?

3 A. Yes sir. This is in our 2004 drilling program.

4 Q. In all respects this force pooling with risk compensation complies with the statutory
5 requirements of 9-17-13 of the Code of Alabama?

6 A. Yes sir.

7 MR. WATSON: I tender the witness for any questions you have on this item.

8 MR. ROGERS: Mr. Watson, you've got all the parties. David Rankin, we can say he
9 was notified because he wrote in a letter to us.

10 MR. WATSON: He's the man that has agreed to participate.

11 MR. ROGERS: We've got that so we know that he was notified. The other gentleman,
12 you are saying you have not received a green card. That's Hugh Kemp Scott.

13 MR. WATSON: Hugh Kemp Scott.

14 MR. ROGERS: But you have the--is this something you got off the Internet?

15 MR. HUTCHINGS: The tracking confirmation. I got it off the United States Postal
16 Service web site. I plugged in the article number of the package that I sent.

17 MR. ROGERS: I don't think we have ever considered whether that was sufficient or not.
18 What about if it was approved subject to submitting the green card when it is received?

19 MRS. PRITCHETT: Let's assume that it will be received.

20 MR. ROGERS: The law is that you have to either show the green card, certified return
21 receipt, or such other evidence that the Board will accept. I don't think we have considered this
22 yet on this type information.

23 MR. WATSON: Mr. Rogers, my comment to that is we have done all humanly possible
24 and technically possible to get the notice. I think the Board has the latitude when one goes to
25 this extent to find out exactly when it was delivered to say that certainly the guy received notice.
26 Of course with the holiday season, trying to get this one little piece of green card back,
27 sometimes it will come back and it may be weeks. Our concern is we are trying to get this well

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1 drilled before the end of the year. I would ask the Board to invoke its discretionary authority and
2 rule that this is sufficient notice.

3 STEVEN HUTCHINGS

4 EXAMINATION BY BOARD/STAFF

5 Questions by Mr. Dampier:

6 Q. Let me ask a couple of questions real quick. Mr. Hutchings, is this the only person that
7 you have not gotten a green card back on?

8 A. I have not gotten a green card back on David Lee Rankin either, the individual who has
9 agreed to participate. We do have a confirmation notice and of course we've got
10 affidavits signed by him stating that he has received notice.

11 Q. Mr. Scott, the one that you have not gotten the green card, when was that mailed to him?

12 A. November 23rd was the date on the receipt that Mr. Watson just handed up.

13 Q. Then you went to the web site and tracked this number down?

14 A. That is correct.

15 Q. And it printed out saying that it was delivered to him on December 11th.

16 A. That is correct.

17 Q. So you mailed it on November 23rd and he picked it up on December 11th?

18 A. That's right.

19 Q. That's how many days ago?

20 A. The 11th was Saturday, so not a week.

21 Q. Anchorage, Alaska or Anchor Point, Alaska.

22 CHMN. MCCORQUODLE: I'm disappointed that your client wouldn't send their
23 attorney to Alaska to make sure this thing was personally served.

24 MR. WATSON: The last time I went through Alaska they sent me on to Vietnam. I
25 don't have any reason to go back.

26 CHMN. MCCORQUODALE: Well, the destination would be a little different this time.

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1 Questions by Mr. Dampier:

2 Q. Mr. Hutchings, could you tell me a little bit about your negotiations with Mr. Scott. Have
3 you talked to him?

4 A. Uh, we have made numerous attempts to lease all of these heirs. Like I say, this goes
5 back to Mariah C. Riley, a patent issued in 1916, a warranty deed in 1918, reserving the
6 coal rights. We have identified, and we have affidavits of death and heirship, 58 heirs.
7 We have leased 53 of those heirs as of the filing. Ricky Lutz who bought the leases
8 discussed the lease with them in June of 2003, October 2003, and November 2003. In
9 February 2004 he sent a letter to them along with the book we've used that Mr. Rogers
10 and Ms. Mancini wrote, A Landowners Guide in Alabama, with the section highlighted
11 about force pooling saying we have 97 percent leased and we want to drill the well, so
12 this will be the next step. Prior to sending those--also, there was contact in July of this
13 year. Prior to sending those letters in November, I made a call to all of the unleased
14 owners. One hung up on me. I did lease one heir and the other four have never
15 responded.

16 Q. That would include Mr. Scott?

17 A. That would include Mr. Scott.

18 Q. Hugh Kemp Scott?

19 A. Right.

20 MR. ROGERS: Mr. Dampier, I'm just saying we hadn't approved this before. I think
21 it's a pretty clever way to show that you notified the gentleman. I never had seen that before,
22 printing this off the Internet. It's a pretty clever way to show that he received it.

23 MR. HUTCHINGS: The reason I did that, I was just trying to ensure that the package
24 had been delivered or if it had been refused or something to that effect.

25 MRS. PRITCHETT: As long as he has testified that that's a true and accurate copy of
26 what he got off the United States Postal Service's web site, I don't have a problem with it.

27 MR. WATSON: I'll ask him that question.

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STEVEN HUTCHINGS
DIRECT EXAMINATION

Questions by Mr. Watson:

Q. Is that a true and correct copy of what you got off the Postal Service web site?

A. Yes sir.

EXAMINATION BY BOARD/STAFF

Questions by Mr. Dampier:

Q. Let me ask you this one question. If he signs the lease and it comes in, you are not going to impose the risk compensation?

A. That is correct, as we have in the past. On Mr. Rankin you have affidavits that he has elected to participate. If you will remember back last year we force pooled El Paso in Fayette County on some wells where they said they elected to participate in the wells subject to signing a JOA. We're a year and a half out and they still have not signed a JOA, so we are operating under that force pooling order. We don't want to get caught short.

MR. DAMPIER: Mr. Chairman, I move that the petition be approved.

MRS. PRITCHETT: Second.

CHMN. MCCORQUODALE: All in favor say "aye."

(All Board members voted "aye")

CHMN. MCCORQUODALE: "Ayes" have it.

MR. WATSON: Thank you.

MR. ROGERS: The next item is Item 17, Docket No. 12-15-04-9, petition by Robinson's Bend Operating Company, LLC.

MR. WATSON: I have one witness and would like to have him sworn in.

MR. ROGERS: Will you state your name and address?

MR. DAVIS: Richard Davis, Tuscaloosa, Alabama.

(Witness was sworn by Mr. Rogers)

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1 MR. WATSON: Mr. Chairman, I have prefiled an affidavit of notice in this matter along
2 with a green card and would like to have those admitted into the record.

3 CHMN. MCCORQUODALE: They are admitted.

4 (Whereupon, the affidavit and exhibit were
5 received in evidence)

6 MR. WATSON: Mr. Davis, we are here to ask the Board to force pool, with the
7 imposition of the risk compensation fee, all tracts and interests in an 80-acre unit consisting of
8 the South Half of the Northwest Quarter of Section 21, Township 22 South, Range 11 West,
9 Tuscaloosa County, in the Thornton Creek Coal Degasification Field. Are you familiar with the
10 title in that 80-acre unit?

11 MR. DAVIS: Yes sir, I am.

12 MR. WATSON: Have you appeared before this Board and do you have on file an
13 affidavit of your qualifications as a petroleum landman?

14 MR. DAVIS: Yes sir.

15 MR. WATSON: I tender Mr. Davis as an expert for giving testimony.

16 CHMN. MCCORQUODALE: He is so recognized.

17 RICHARD DAVIS

18 Appearing as a witness on behalf of Petitioner, Robinson's Bend Operating Company,
19 LLC, testified as follows:

20 DIRECT EXAMINATION

21 Questions by Mr. Watson:

22 Q. Mr. Davis, would you tell us what interest is outstanding in this 80-acre unit?

23 A. There is approximately three net acres which would comprise 3.75 percent of the unit that
24 is unleased at the present time. We have contacted this one mineral owner and he has just
25 refused to lease saying it's not monetarily in his interest because it doesn't amount to
26 much.

27 Q. Okay. That's Richard Gray.

28 A. Correct.

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1 Q. I take it you have talked to Mr. Gray?

2 A. Yes sir.

3 Q. Did you offer to lease on terms that are as good as or better than other leases that you
4 have acquired in the area?

5 A. Yes sir, we have actually offered him twice the bonus price that we paid other folks.

6 Q. Did you give him an opportunity to participate in the well?

7 A. Yes sir.

8 Q. Or to farm out his interest?

9 A. Yes sir.

10 Q. All of those options he turned down?

11 A. Yes sir.

12 Q. Is your client ready, willing, and able to move forward to drill this well if the Board force
13 pools this interest?

14 A. Yes they are.

15 Q. Is it your testimony then that this force pooling, with the imposition of the risk
16 compensation fee, complies with Section 9-17-13 of the Code of Alabama relating to
17 force pooling with risk compensation?

18 A. Yes sir.

19 Q. Would the granting of this petition force pooling this interest, imposing the risk
20 compensation fee, prevent "waste" and protect correlative rights?

21 A. Yes sir, it will.

22 MR. WATSON: I tender my witness, Mr. Chairman.

23 CHMN. MCCORQUODALE: Are there any questions?

24 RICHARD DAVIS

25 EXAMINATION BY BOARD/STAFF

26 Questions by Mr. Dampier:

27 Q. How many people are we talking about?

28 A. Just one.

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1 Q. What interest do they own?

2 A. He owns three acres.

3 MRS. PRITCHETT: Mr. Chairman, I move that we grant the petition.

4 MR. DAMPIER: Second.

5 CHMN. MCCORQUODALE: All in favor say "aye."

6 (All Board members voted "aye")

7 CHMN. MCCORQUODALE: "Ayes" have it. We stand adjourned.

8 (Whereupon, the hearing was adjourned at 11:05 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA
COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Friday, December 17, 2004, the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board in Regular Session; that the foregoing 32 written pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither kin nor counsel to the parties to said cause, nor in any manner interested in the results thereof.


Rickey Estes
Hearing Reporter